

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

TENNESSEE GAS PIPELINE COMPANY

AI # 2448 & 4777

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT**

LA. R.S. 30:2001, ET SEQ.

* **Settlement Tracking No.**

* **SA AE-06-0026**

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* **Enforcement Tracking No.**

* **AE-PP-05-0223**

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SETTLEMENT

The following Settlement is hereby agreed to between Tennessee Gas Pipeline Company ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who operates a compressor station facility located at Louisiana Highway 23 near Port Sulphur, Plaquemines Parish, Louisiana ("the Facility").

II

On February 21, 2006, the Department issued a Notice of Potential Penalty, Enforcement No. AE-PP-05-0223, to Respondent, which was based upon the following findings of fact:

On or about November 8, 2005, and February 6, 2006, a file review of Compressor Station No. 527 (AI No. 2448), owned and/or operated by Tennessee Gas Pipeline Company (Respondent), was performed to determine the degree of compliance with the Louisiana

Environmental Quality Act (the Act) and the Air Quality Regulations. The facility is located at Louisiana Highway 23 near Port Sulphur, Plaquemines Parish, Louisiana. The facility was issued an initial Title V Permit No. 2240-00009-V0 on December 16, 1996. The facility currently operates under Title V Permit No. 2240-00009-V1, issued on September 13, 2005.

The following violations were noted during the course of the file review:

- A. The Department received the Respondent's 2003 and 2004 Title V Annual Compliance Certifications dated March 22, 2004, and March 11, 2005, respectively. According to the reports, the VOC emission limits for Emission Point Nos. Load and T-4 were exceeded as follows in the following table:

Emission Point	VOC Permitted Emission Rate (tpy)	VOC Actual Emission Rate (tpy)	Year
Load	16.83	45	2003
		23	2004
T-4	9.82	19	2003
		19	2004

Each exceedance of a permitted emission rate is a violation of Title V Permit No. 2240-00009-V0, LAC 33:III.501.C.4, and Section 2057(A)(1) and 2057(A)(2) of the Act. According to the Respondent's current Title V Permit No. 2240-00009-V1, a thermal oxidizer, with permitted VOC emissions of 10.01 tpy, was installed in 2005 to control emissions from Emission Point Nos. Load and T-4. (The parties to this agreement acknowledge that due to damage from Hurricane Katrina in 2005, Emission Point Nos. Load and T-4 are currently not operational. When repairs are completed on these emission points and the emission points become operational, emissions from Emission Point Nos. Load and T-4 will again be controlled by a thermal oxidizer.)

- B. In a letter dated February 8, 2005, the Respondent submitted a Prevention of Significant Deterioration (PSD) analyses for two (2) historical projects: the 1995 installation of a second Lease Automatic Custody Transfer (LACT) unit and the 1998 Flash Gas Recovery project. In this letter, the Respondent reported that the potential increase in VOC emissions from each of these two (2) historical projects exceeded the 40 tons per year PSD significant threshold level for VOC. During a permit review meeting on August 19, 2005, the Department requested revisions in the PSD methodology utilized to estimate the project related emission increases for the two (2) historical projects and to submit these findings to the Department. In a letter dated January 18, 2006,

the Respondent submitted a revised PSD analysis using the methodology specified by the Department. In this letter, the Respondent reported that the 1995 LACT Installation is not considered a major modification project as related emission increases were determined to be below the applicable PSD thresholds. However, the Respondent reported that the related emission increases from the 1998 Flash Gas Recovery project was determined to be above the applicable PSD threshold of 40 tons per year for VOC. Therefore, the Respondent was required to submit a permit application for BACT analysis prior to actual construction and operations related to the 1998 Flash Gas Recovery project. The failure of the Respondent to seek a PSD review for the 1998 Flash Gas Recovery project prior to actual construction and operations is a violation of LAC 33:III.509.I.1, and Section 2057(A)(2) of the Act. On or about March 31, 2005, the Respondent submitted a retroactive PSD permit application regarding the 1998 Flash Gas Recovery project. Based on information supplied to the Department, the Respondent met the BACT requirements for each project at the time of construction. The installation of the second LACT unit was not preceded by any permitting activity by the Respondent. The LACT unit is not a source of emissions; however, its installation entailed physical changes to Tank T-4 and the truck loading area that resulted in increased truck loading capability and an increase in VOC emissions. The Respondent's failure to seek a permit modification prior to installing a second Lease Automatic Custody Transfer (LACT) unit (1995 project) is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act. The emissions associated with the 1995 project are reflected in the Respondent's current Title V permit.

On or about November 8, 2005 a file review of Compressor Station No. 820 (AI No. 4777), owned and/or operated by Tennessee Gas Pipeline Company (Respondent), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility is located on Parish Road No. 7 off Big Woods Road, seven miles north of Vinton, Calcasieu Parish, Louisiana. The facility was issued an initial Title V Permit No. 0520-00137-V0 on December 16, 1996. An Amended Title V Permit No. 0520-00137-V1 was issued on October 14, 1999, and the facility currently operates under Title V Permit No. 0520-00137-V2, issued on August 8, 2005.

The following violations were noted during the course of the file review:

The Department received the Respondent's 2004 Title V Annual Compliance Certification dated March 21, 2005. According to this report and a letter from the Respondent dated September 15, 2004, the actual emissions from two (2) General Electric LM-500 4,575 hp turbine engines (Emission Point Nos. C1C & C2C) exceeded the annual carbon monoxide (CO) tpy permitted emission rate. On June 3, 2004, the Respondent conducted portable analyzer testing on these units. On September 10, 2004, the Respondent discovered that upon conversion to a mass rate representing the anticipated range of operating loads, the test results for CO would exceed the current permit limits. On or about October 20, 2004, the Respondent submitted an updated Title V renewal application that reflected the increased CO maximum lb/hr and the CO tpy emission rate that reflected expected performance at lower loads.

C1C & C2C Turbine CO Emissions		
Pollutant	Permitted Emission Rate in Title V Permit No. 0520-00137-V1 (tpy)	Proposed Emission Rate after testing (tpy)
CO	151.22	223.4

Each exceedance of a permitted emission rate is a violation of Title V Permit No. 0520-00137-V1, LAC 33:III.501.C.4, and Section 2057(A)(1) and 2057(A)(2) of the Act. The Respondent's proposed emission limits were incorporated into Title V Permit No. 0520-00137-V2 issued on August 8, 2005.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of ELEVEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$11,500.00) of which Eight Hundred Ninety-five and 72/100 Dollars (\$895.72) represents DEQ's enforcement costs, in

settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Plaquemines Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

TENNESSEE GAS PIPELINE COMPANY

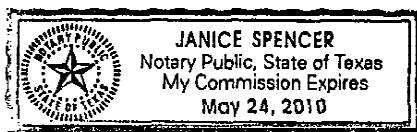
BY: *D. B. Martin*
(Signature)

SJM

DANIEL B. MARTIN
(Printed)

TITLE: SR. VICE PRESIDENT

THUS DONE AND SIGNED in duplicate original before me this 17th day of November, 20 06, at Houston, Texas.



Janice Spencer
NOTARY PUBLIC (ID #)

Janice Spender
(Printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Mike D. McDaniel, Ph.D., Secretary

BY: *Harold Leggett*
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 31st day of May, 20 07, at Baton Rouge, Louisiana.

Carolyn O. Bryant
NOTARY PUBLIC (ID # 24983)

Carolyn O. Bryant
(Printed)

Approved: *Harold Leggett*
Harold Leggett, Ph.D., Assistant Secretary